

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK

In re: Dowling College

Case No. 16-75545 (REG)
Reporting Period: 10/1/18 to 10/31/18

REQUIRED DOCUMENTS	Form No.	Document Attached	Explanation Attached	Affidavit / Supplement Attached
Schedule of Cash Receipts and Disbursements	MOR-1	X		
Bank Reconciliation (or copies of debtor's bank reconciliations)	MOR-1a	X		
Schedule of Professional Fees Paid	MOR-1b	X		
Copies of bank statements			Available upon request	
Cash disbursements journals			Available upon request	
Statement of Operations	MOR-2	X		
Balance Sheet	MOR-3	X		
Status of Post-petition Taxes	MOR-4	X		
Copies of IRS Form 6123 or payment receipt				
Copies of tax returns filed during reporting period				
Summary of Unpaid Post-petition Debts	MOR-4	X		
Listing of aged accounts payable	MOR-4	X		
Accounts Receivable Reconciliation and Aging	MOR-5	X		
Debtor Questionnaire	MOR-5	X		

See accompanying notes on following page.

Note:

The financial information provided in this Monthly Operating Report ("MOR") is provided based on the best information available, the source of which is unaudited and untested. If the books and records were audited or tested further, the information provided may differ from that presented in this MOR, possibly by material amounts.

I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the attached documents are true and correct to the best of my knowledge and belief.

Signature of Debtor

Date

Signature of Joint Debtor

Date

Signature of Authorized Individual*

Date

Robert S. Rosenfeld

Chief Restructuring Officer

Printed Name of Authorized Individual

Title of Authorized Individual

*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.

**UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF NEW YORK**

In re:

DOWLING COLLEGE

Chapter 11

Case No. 16-75545 (REG)

Debtor.

**GLOBAL NOTES REGARDING
DEBTOR'S MONTHLY OPERATING REPORT**

This Monthly Operating Report ("MOR") has been prepared solely for the purpose of complying with the monthly reporting requirements applicable in this chapter 11 case and is in a format acceptable to the United States Trustee. The financial information contained in the MOR is preliminary and unaudited, and as such may be subject to revision. The information in the MOR should not be viewed as indicative of future results.

The accompanying Preliminary Unaudited Financial Statements of Dowling College have been prepared in accordance with generally accepted accounting principles ("GAAP") in the United States of America using information from the Debtor's accounting sub ledger and general ledger systems.

While Debtor's management has made reasonable efforts to ensure that the MOR is accurate and complete, based upon information that was available to them at the time of preparation, subsequent information may result in material changes to the MOR. Moreover, because the MOR contains unaudited information, which is subject to further review and potential adjustment, there can be no assurance that this MOR is complete. The Debtor reserves all rights to amend the MOR from time to time, in all respects, as may be necessary or appropriate. These global notes regarding the Debtor's MOR ("Global Notes") comprise an integral part of the MOR and should be referred to and considered in connection with any review of the MOR.

Specific Notes.

Endowment Funds. Temporarily restricted net assets consist of various donor-restricted amounts for academic programs, scholarships, and revenue for future periods (i.e., contributions receivable and accumulated gains on endowment funds). Permanently restricted net assets represent endowment corpus, which provides investment income principally for scholarships. Dowling's endowment consists of approximately 55 individual funds established for a variety of purposes, including donor-restricted endowment funds. Dowling's management and investment of donor-restricted endowment funds is subject to the provisions of New York Prudent Management of Institutional Funds Act (NYPMIFA).

Pursuant to the investment policy approved by the board of trustees of Dowling, Dowling has interpreted NYPMIFA as allowing it to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund, as Dowling deems prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. As a result of this interpretation, Dowling records the remaining portion of the donor-restricted endowment fund that is not permanently restricted, as temporarily restricted until those amounts are appropriated for expenditure in a manner consistent with the standards of prudence prescribed by NYPMIFA.

Levied Bank Accounts. Prior to the Petition Date, the Debtor's funds on deposit at TD Bank, NA (approximately \$506,000) that were included in 4 separate bank accounts were removed from the accounts and placed in separate holding accounts by TD Bank, NA in accordance with its internal procedures and following receipt of certain Restraining Notices served pursuant to NY CPLR Section 5222(b) filed by certain prepetition judgment creditors. Included in these restrained funds may have been certain restricted funds. Upon receipt of notice of the Debtor's Ch. 11 filing, which occurred prior to the Sheriff executing the levy, TD Bank NA returned the funds to the Debtor's accounts. The Debtor subsequently transferred these funds to four new DIP accounts maintained at Signature Bank in the same amounts and titles of the accounts that were maintained at TD Bank. After further investigation, the Debtor has determined that these funds are not restricted. Pursuant to an Order entered on January 29, 2018, the Debtor is authorized to use these funds as cash collateral [DE 484]. Accordingly, the Debtor has or is in the process of transferring these funds to the post-petition Term Loan bank accounts maintained at Signature Bank, consistent with the Final Cash Management Order and DIP Financing Agreements.

Sale of Assets:

Sale of Oakdale Campus and related contents. On the Petition Date, the Debtor filed a motion requesting the entry of, among other things, bidding procedures and bidder protections for the sale of the Oakdale Campus (the “Sale Motion”) [DE 13]. On December 16, 2016, the Court entered an order approving, in part, the Sale Motion (the “Bidding Procedures Order”) [DE 111], which approved, among other things, bidding procedures for the sale of the Oakdale Campus (the “Bidding Procedures”).

The Debtor conducted an auction (the “Auction”) on April 4, 2017 pursuant to the Bidding Procedures Order. The Auction was resulted in a high bid of \$26,500,000 by Princeton Education Center LLC (“Princeton”). The second highest bid was \$26,100,000, submitted by NCF Capital Limited (“NCF”). On April 6, 2017, the Debtor, after extensive consideration by and consultation with representatives of the Creditors’ Committee and the DIP Lenders, determined to close the Auction formally and designated Princeton to be the Successful Bidder and NCF to be the Backup Bidder, subject to confirmation by the Board of Trustees of Dowling College (the “Board”).

After the Auction, in accordance with the Bidding Procedures, Princeton increased the deposit being held by the Debtor such that it equaled 5% of the Princeton Purchase Price. Debtor’s counsel held \$1,325,000.00 in its escrow account on account of Princeton’s deposit (the “Princeton Deposit”). On April 10, 2017, the Court held a hearing to consider the Sale Motion and on April 12, 2017 the Court entered an order approving the sale of the Oakdale Campus free and clear of

all liens, claims, encumbrance and other interests to Princeton pursuant to the Princeton APA (the “Sale Order”) [DE 285].

The Princeton Asset Purchase Agreement (“Princeton APA”) expressly provided that the closing shall take place within thirty (30) days after satisfaction or waiver of all conditions to the obligations of the Debtor and Princeton, time being of the essence. The deadline to close the contemplated sale transaction (the “Princeton Sale”) was May 26, 2017. By letter dated May 26, 2017, Princeton’s counsel requested an extension of the closing date by three (3) weeks to June 16, 2017 in order to assemble the funding necessary to consummate the Princeton Sale (the “Extension Request Letter”). In response to the Extension Request Letter, by letter dated May 26, 2017 for delivery on May 30, 2017, the Debtor, in consultation with the Creditors’ Committee and the DIP Lenders, notified Princeton of its breach of the Princeton APA (the “Breach Notice”). The Breach Notice informed Princeton that (i) the Debtor intended to terminate the Princeton APA if the Princeton Sale did not close within fifteen (15) business days, as provided for in Section 12.1(c)(ii) of the Princeton APA and (ii) if the Princeton APA is terminated then the Debtor would retain the Princeton Deposit as liquidated damages, as provided for in Section 3.2 of the Princeton APA and the Bidding Procedures Order. Therefore, the deadline for Princeton to close the Princeton Sale was June 20, 2017 (the “Termination Date”).

On June 19, 2017, Princeton notified the Debtor that the closing would not occur on June 20, 2017 because it did not have the funds necessary to close the Princeton Sale. Princeton failed to close the Princeton Sale by 12:59 p.m. on the Termination Date. Thereafter, by letter dated June 21, 2017, due to Princeton’s failure to close the Princeton Sale, the Debtor, in consultation with the Creditors’ Committee and the DIP Lenders, terminated the Princeton APA (the “Termination Letter”). As result of Princeton’s breach and subsequent termination, pursuant to the terms of the Princeton APA the Debtor was authorized to retain the Princeton deposit of \$1,325,000. These funds were transferred from the Debtor’s counsel’s escrow account to the Debtor’s cash accounts during July 2017. Pursuant to the DIP financing Order, during August 2017, these funds were subsequently transferred to UMB, as Trustee for the post-petition DIP lenders as a Mandatory Prepayment.

Back-up Bidder

The Bidding Procedures Order provided that if Princeton, as the Successful Bidder failed to consummate the Princeton Sale, then NCF, as the Backup Bidder, was automatically deemed to have submitted the highest or otherwise best bid. By letter dated June 21, 2017, due to Princeton’s failure to close the Princeton Sale, the Debtor, in consultation with the Creditors’ Committee and the DIP Lenders, determined to proceed with NCF as the Backup Bidder and notified NCF that it had been deemed the Successful Bidder in accordance with the Bidding Procedures Order (the “NCF Letter”). On July 14, 2017, the Court entered a Supplemental Sale Order (i) establishing Mercury International, LLC¹, as assignee of NCF Capital Limited as the Successful Bidder and (ii) authorizing the Debtor to enter into and perform under the NCF APA. The Debtor’s counsel is currently holding, in escrow, a deposit in the amount of \$1,305,000 (the “Deposit”) from NCF relating to the NCF Asset Purchase Agreement. Pursuant to Order of the Court, in addition to the

¹ On July 12, 2017, NCF gave the Debtor notice that it had assigned all of its rights and obligations in and to the NCF APA, including, but not limited to, the Deposit (as defined in the NCF APA), to Mercury International, LLC, a Delaware limited liability company, pursuant to section 14.5 of the NCF APA.

real estate, the Debtor agreed to sell the furniture and equipment located at the Oakdale Campus to NCF for \$90,000.

Closing of Sale of Oakdale Campus

On August 21, 2017, the Debtor closed on the sale of the Oakdale Campus and the furniture and equipment to NCF. In connection with the closing, it was agreed that NCF would hold \$75,000 in escrow related to potential repairs that may be required to one of the buildings located on the Oakdale Campus. The net costs required to be paid by the Debtor relating to these repairs was \$24,200 which was paid with the funds held in escrow and the balance of \$50,800 was returned to the Debtor during January 2018. After considering closing costs related to brokers' commissions and title fees (totaling approximately \$1,057,000), the net proceeds received by the Debtor at closing was \$25,058,000 related to the real estate and furniture and equipment.

Subsequent to the receipt of the proceeds from this sale transaction, the Debtor filed a motion with the Court to approve the remittance of available net proceeds from the sale of the Oakdale Campus to the DIP Agent [DE 394]. The Order provides for the Debtor to pay \$20,000,000 from the net proceeds received to pay down certain portions of the outstanding DIP Financing balances and related prepetition Debt in order to reduce the interest charges to the Estate. The Debtor's motion was entered on approved by the Court at a hearing on September 27, 2017. Subsequently, \$20 million from this sale was paid to the secured lender and the balance of the net proceeds from this sale is being maintained by the Debtor in a segregated account.

Following is a summary of the reporting of these transactions included herein:

	Oakdale Campus	Furniture & Equipment	Total
Proceeds Received	\$ 26,100,000	\$ 90,000	\$ 26,190,000
<u>Closing Costs:</u>			
Commissions	1,044,000		1,044,000
Title Fees	12,600		12,600
total closing Costs	1,056,600	-	1,056,600
Less: costs incurred for repairs- paid from escrow	24,200	-	24,200
Gain reported on transaction	\$ 25,019,200	\$ 90,000	\$ 25,109,200

Sale of Residential Properties. Pursuant to Court Order, through October 31, 2018, the Debtor sold 32 properties (31 residential properties and 1 parcel of vacant land) located near the Oakdale, Long Island Campus for approximately \$10.7 million. In accordance with the Court Order, the net proceeds (after closing costs and realtor commissions relating to these sales) of approximately \$10.1 million were paid directly to the secured lender that held the lien on these properties. Pursuant to a settlement agreement between the creditors, during September 2017, \$200,000 of the net proceeds received from these September 2017 sales were paid to the Debtor and such funds were deposited in a reserve account by the Debtor.

Following is a summary of the funds relating to these sales:

	Month Closed	# of sales	Total Sales Price (1)	Proceeds Pd to Dowling at Closing	Paid to Secured Lender
2016	December	5	1,594,500		1,516,452
2017	January	3	1,143,000		1,112,728
2017	April	1	610,000		580,542
2017	May	1	394,000		378,664
2017	June	4	1,330,500		1,290,682
2017	August	1	320,000		305,700
2017	September	3	1,153,500	200,000	913,398
2017	October	0		-	-
2017	November	3	900,000		865,632
2018	January	3	1,010,000	-	983,399
2018	February	1	320,000	-	309,684
2018	May	3	918,500	-	894,326
2018	September	3	935,000	-	911,293
2018	October (2)	1	30,000		31,067
Total		32	10,659,000	200,000	10,093,568

(1) Includes realtor commissions and other closing costs.

(2) The sale closed in October 2018 related to an unimproved plot of vacant land.

The net proceeds (after closing costs and realtor commission) was paid directly to the secured lender that held the lien on this property.

Sale of vacant land. In connection with the residential property closed in August 2017, the Debtor sold its interest in an adjoining plot of vacant land to the same buyer of this residential property. The Debtor received \$25,000 from the buyer and has maintained these funds in one of the Debtors DIP accounts.

Sale of IP Addresses. On July 25, 2017, the Debtor sold its interest in over 65,000 IP addresses in the amount of \$851,968. In connection with the sale of these IP addresses, the Debtor was required to pay a commission to its retained agent in the amount of \$51,118.08. The sale was subject to approval and transfer procedures required by the American Registry for Internet Numbers (“ARIN”). The proceeds have been held in escrow until the transfer was approved by ARIN. On September 6, 2017, the transfer was completed and the funds were deposited into the Debtor’s DIP account. The net amount of funds received by the Debtor, after payment of the aforementioned commission was \$800,849.92.

Sale of Brookhaven Campus. On June 19, 2018, the Bankruptcy Court entered an order approving the sale of the Brookhaven Campus to Triple Five Aviation Industries LLC (“Triple Five”). The sale price was \$14 million and the Debtor received a deposit from Triple Five in the amount of \$1.4 million in connection with this sale. On August 2, 2018, the Debtor and Triple Five entered into an amendment (the “Amendment”) to the Asset Purchase Agreement, wherein, among other things, the closing date was extended from August 3, 2018 to August 31, 2018, subject to further extension as set forth in the Amendment.

On September 21, 2018, the Debtor closed on the sale of the Brookhaven Campus. In connection with the closing, the Debtor paid approximately \$556,000 relating to outstanding real estate taxes owed to the Town of Brookhaven. In addition, in connection with this transaction, the Debtor entered into a short-term Transition Services Agreement (“TSA”) with Triple Five, whereby the Debtor agreed to provide interim management and operational oversight during a 30-day transition period, with the option to extend or reduce the time of the agreement if needed. As part of the TSA, Triple Five agreed to deposit \$30,000 with the Debtor as security for performance of its obligations under the TSA. This deposit is to be returned to Triple Five subject to full satisfaction and performance of its obligations under the TSA. Further, as part of the closing, Triple Five held back in escrow \$15,000 relating to a final reconciliation of the operating expenses and funding incurred in connection with the Amendment discussed above that extended the closing date after August 3, 2018. As a result of the aforementioned closing adjustment items, the Debtor received \$13,458,592.14 in connection with the closing.

In connection with the closing of the Brookhaven Campus, the Debtor has an agreement with the campus agents that assisted in the marketing and sale of this property, to pay commissions on this transaction in an amount based on 4% of the purchase price. The amount and timing of payment of these commissions is subject to approval from the Court, which has not yet been obtained.

Distribution of proceeds to Creditors. Pursuant to a settlement agreement term sheet entered into by and among the secured creditors and the Unsecured Creditors Committee (the “Settlement Agreement”), the parties agreed to a certain manner of distribution of proceeds derived from the sale of certain assets. The settlement term sheet was attached as Exhibit A to the Final Order (I) Authorizing the Debtor to Obtain Postpetition Financing and Use Cash Collateral, (II) Granting Adequate Protection, and (III) Granting Certain Related Relief, which was entered by the Court on July 17, 2017. Based upon the provisions of this settlement, as proceeds from the disposition

of assets are received by the Debtor and become distributable, the amounts are to be allocated based upon, among other things, the type of asset which gave rise to the proceeds. As understood by the Debtor, the term sheet allocation and related calculations consider, among several factors, direct asset sale costs and expenses, amounts due to the DIP financing lenders at the time of the distribution, prepetition secured creditor balances, required reserves for payment of priority claims and certain junior secured lenders, and allocations for payments to unsecured creditors as expected pursuant to a contemplated plan of liquidation. Based on the term sheet calculations, proceeds received from the Oakdale Campus sale and the IP Address sale were paid over to UMB Bank as DIP Agent during the month of October.

Note on recognition of gains and losses for sales of Debtor's assets. The Debtor is in the process of determining net book values for the respective sale of individual assets. For purposes of this Monthly Operating Report, the Debtor has estimated fixed assets amounts, accumulated depreciation and gain and loss on disposal amounts for the reporting period. As a result, actual gains and losses that would be reported under Generally Accepted Accounting Principles, may differ from the amounts reported on these interim financial statements. As information becomes available, the Debtor may adjust the gain and loss result as needed.

Pre Petition and Post Petition Lender Balances. The Debtor is in the process of determining pre-petition debt balances related to the secured lenders. The Debtor has analyzed the post-petition DIP financing balances and available proceeds from post-petition asset recoveries that were distributed to the secured lenders pursuant to the Settlement Agreement. In accordance with the DIP Financing Agreement and Settlement Agreement, after applying such payments to the respective term loan DIP financing balances, including the DIP lenders' reasonable fees, costs and expenses (including legal fees), any excess amounts paid to the secured lenders were applied to the Debtor's obligations under the prepetition financing documents, including reasonable fees, costs and expenses (including legal fees). The administrative agent for the secured lenders is required to distribute the payments made on account of the loan balances to the individual secured lenders. The Debtor has requested from the administrative agent for the secured lenders an accounting of how much is owed to each individual prepetition secured lender. For purposes of this Monthly Operating Report, the Debtor has not adjusted the prepetition balances for each individual secured lender until it receives the lenders' administrative agent's accounting. As information becomes available, the Debtor may adjust the prepetition secured loan balances at such time. As a result, this information is subject to change.

Self-Insured Medical and Dental benefit plan. The Debtor maintained self-insured employee medical and dental benefit plans (the "Health Plans"). Under the provisions of the Health Plans, two third party administrators, CIGNA and Health Plex, provided claims processing and administrative functions, for the Medical and Dental coverage, respectively. Upon the closing of the Debtor's operations in June 2016, this Health Plan was terminated. The U.S. Department of Labor is in the process of evaluating the outstanding unpaid claims under these Health Plans. Pursuant to a settlement with the WARN class action matter (discussed below), these unpaid medical and dental claims will be included as part of the settlement.

Student Receivables

The Debtor continues to evaluate the collectability of its receivables due from former students of the College. The Debtor's balance sheet may not reflect the ultimate realization experience

of such receivable balances. The Debtor continues to explore ways to maximize value of these receivables.

Pending Litigation

The Debtor is subject to lawsuits and claims that arise out of its operations in the normal course of business. The Debtor is a defendant in various litigation matters, some of which involve claims for damages that are substantial in amount. The Debtor believes it has meritorious defenses to the claims made and intends to contest the claims vigorously.

On August 31, 2018, the Debtor entered into a settlement agreement with the class plaintiffs of a WARN Act class action previously filed against the Debtor. On September 28, 2018, the Court entered an order preliminarily approving the settlement and scheduling a hearing for final approval of the settlement for November 5, 2018. If approved on a final basis, the settlement would provide class members with allowed priority claims and allowed unsecured claims on account of WARN Act damages and/or other termination-based claims. In addition, the settlement provides for the payment of medical and dental claims which the Debtor failed to pay under the terms of the Health Plans. On November 6, 2018, the Court entered an Order approving the settlement agreement [Dkt 638].

Plan of Liquidation

On September 21, 2018, the Debtor filed its Plan of Liquidation and Disclosure Statement with the Court [Dkt 604, 605]. On November 6, 2018, the Court entered an Order approving the Debtor's Disclosure Statement [Dkt 639] and set a hearing date of December 17, 2018 for the confirmation of the Debtor's Plan of Liquidation.

In re: Dowling College
Schedule of Cash Receipts and Disbursements

MOR-1
CASE NO. 16-75545 (REG)
REPORTING PERIOD: OCTOBER 31, 2018

	BANK ACCOUNTS												
	Signature - Operating - 5448	Signature - TL A- 5456	Signature-TL B- 5464	Signature - TL C- 5472	Signature - TL D- 5480	Signature-Flex Spending Acct- 3912 (1)	Signature - Student Activity Acct - 3947 (1)	Signature-Sewage Treatment Replacement Acct- 3920 (1)	Signature-Sewage Treatment Reserve Acct - 3939 (1)	Signature-Real Estate Proceeds Account - 3826	Signature- Student Collections Account - 6057	Signature-Class I - Settlement Reserve - 5697	Signature-Class II - 2006 Bonds Reserve - 5093
CASH BEGINNING OF PERIOD	\$ 183,275	\$ 3,724	\$ 8,098	\$ 3,438	\$ 24,889	\$ -	\$ -	\$ -	\$ -	\$ 13,519,245	\$ 7,074	\$ 200,445	\$ 4,980,778
RECEIPTS													
Cash Receipts	\$ 39,254										\$ 9,703		
Interest Income						\$ 2,257					\$ 4,475	\$ 4	\$ 66 \$ 1,651
Perkins Loan Repayments and charges													
Net Transfers From/(To) Accounts	272,181	(3,660)	58	(13)	(234,588)						(33,978)	-	
DIP Funding			5,000	-	-	260,526						15,000	
Proceeds from sale of real estate													
Proceeds from sale of other assets	45,000												
Receipt/return of security deposits from tenants													
Escrow deposits													
Voided/(returned checks)													
Other													
Total Receipts	\$ 356,435	\$ 1,340	\$ 58	\$ (13)	\$ 28,196	\$ -	\$ -	\$ -	\$ -	\$ (14,503)	\$ 9,707	\$ 66	\$ 1,651
DISBURSEMENTS													
Payroll & Benefits	17,156												
Telephone and cable	2,015												
Outside Services	1,945												
Landscaping & Snow Removal	780												
Utilities	33,978												
Security	2,627												
Fire & Safety	-												
Repairs & Maintenance	2,176												
Insurance	29,390												
Chemical Removal	-												
Waste Removal	590												
Sewage Treatment	577												
Property Taxes	-												
Permits & licenses	-												
Payroll Processing	617												
Union Benefits	-												
Computer expense	3,750												
Office Supplies	-												
Finance Fees	-												
Debt Paydowns	219,078												
Retained Professionals	100,291												
Claims Noticing Agent	12,694												
Interim Management-CRO	75,566												
Bank Charges	-												
Moving, Storage and destruction costs	851												
Other	-												
Return of Tenant security deposits	-												
Receivable collection costs	-												
Real estate cost of sales	-												
Litigation	-												
US Trustee Fees	23,480												
Other Bankruptcy Related Charges													
Total Disbursements	\$ 527,560	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ (171,126)	\$ 1,340	\$ 58	\$ (13)	\$ 28,196	\$ -	\$ -	\$ -	\$ -	\$ (14,503)	\$ 9,707	\$ 66	\$ 1,651
Cash - End Of Period⁽⁴⁾	\$ 12,149	\$ 5,064	\$ 8,156	\$ 3,425	\$ 53,085	\$ -	\$ -	\$ -	\$ -	\$ 13,504,742	\$ 16,780	\$ 200,511	\$ 4,982,429

See Notes to MOR.

(1) Accounts determined to not be restricted and transferred to Debtor operating accounts pursuant to Cash Management Order.

(2) Bank accounts was maintained for tenant security deposits. The balance of all remaining deposits were returned or liquidated from this account during October 2017.

(3) Pursuant to Court Order, proceeds from the sale of the Debtor's residential real estate located in Oakdale, NY were paid directly to the secured lender that held the liens on these properties.

Since the funds are paid directly to the lender and third parties, no funds related to these transactions flow through the Debtor's bank accounts.

(4) Bank account relates to Perkins Title IV loan proceeds, repayments, and other charges to students relating to federal loan funding. Student loan repayment activity is managed by a third party servicer that tracks repayments and funds deposited into the US Bank account.

In re: Dowling College
 Schedule of Cash Receipts and Disbursements

MOR-1
 CASE NO. 16-75545 (REG)
 REPORTING PERIOD: OCTOBER 31, 2018

						CURRENT PERIOD	CUMULATIVE FILING TO DATE
	Signature-Class III - 2002 Bonds Reserve - 5700	Signature - Class IV 2015 Bonds Reserve - 5107	Capital One-6182 (2)	US Bank -1467 (4)	Cash Activity occurring through UMB through Residential Sales (3)	ACTUAL	ACTUAL
CASH BEGINNING OF PERIOD	\$ -	\$ 200,455	\$ -	\$ 458,223	\$ -	\$ 19,589,643	\$ 1,045,272
RECEIPTS							
Cash Receipts						48,956	1,163,981
Interest Income		\$ 66		\$ 19		8,540	28,598
Perkins Loan Repayments and charges						-	164,512
Net Transfers From/(To) Accounts						(0)	0
DIP Funding						265,526	9,339,424
Proceeds from sale of real estate					32,267	47,267	50,981,064
Proceeds from sale of other assets						45,000	935,850
Receipt/return of security deposits from tenants						-	(38,346)
Escrow deposits						-	15,000
Voided/returned checks						-	6,947
Other						-	1,633,819
Total Receipts	\$ -	\$ 66	\$ -	\$ 19	\$ 32,267	\$ 415,289	\$ 64,230,848
DISBURSEMENTS							
Payroll & Benefits						17,156	744,928
Telephone and cable						2,015	168,482
Outside Services				708		2,652	134,749
Landscaping & Snow Removal						780	174,315
Utilities						33,978	1,047,380
Security						2,627	910,840
Fire & Safety						-	150,099
Repairs & Maintenance						2,176	340,985
Insurance						29,390	556,469
Chemical Removal						-	41,501
Waste Removal						590	26,267
Sewage Treatment						577	37,484
Property Taxes						-	864,041
Permits & licenses						-	1,094
Payroll Processing						617	15,634
Union Benefits						-	5,325
Computer expense						3,750	143,045
Office Supplies						-	2,713
Finance Fees						-	170,000
Debt Paydowns					31,067	250,144	33,499,198
Retained Professionals						100,291	2,692,053
Claims Noticing Agent						12,694	253,855
Interim Management-CRO						75,566	1,906,435
Bank Charges			86			86	2,345
Moving, Storage and destruction costs						851	207,267
Other						-	25,888
Return of Tenant security deposits						-	23,437
Receivable collection costs						-	28,810
Real estate cost of sales					1,200	1,200	1,489,929
Litigation						-	7,500
US Trustee Fees						23,480	127,275
Other Bankruptcy Related Charges						-	32,465
Total Disbursements	\$ -	\$ -	\$ -	\$ 794	\$ 32,267	\$ 560,621	\$ 45,831,809
Net Cash Flow	\$ -	\$ 66	\$ -	\$ (775)	\$ -	\$ (145,332)	\$ 18,399,040
Cash - End Of Period⁽⁴⁾	\$ -	\$ 200,521	\$ -	\$ 457,448	\$ -	\$ 19,444,311	\$ 19,444,311

In re: Dowling College
Bank Reconciliations

	Signature - Operating - 5448	Signature - TL A-5456	Signature-TL B-5464	Signature - TL C-5472	Signature - TL D- 5480	Cash and Mark Capital One-6182 (2)	Signature-Flex Spending Acct- 3912
Balance Per Bank	\$ 67,930	\$ 5,064	\$ 8,156	\$ 3,425	\$ 53,085	\$ -	\$ -
Deposits in Transit	-	-	-	-	-	-	-
Outstanding Checks and Charges		(55,780)					
Other (List)		-	-	-	-	-	-
Balance per Books	\$ 12,149	\$ 5,064	\$ 8,156	\$ 3,425	\$ 53,085	\$ -	\$ -

See Notes on MOR-1

In re: Dowling College
Bank Reconciliations

ETABLE SECURITIES

	Signature - Student Activity Acct - 3947	Signature-Sewage Treatment Replacement Acct- 3920	Signature-Sewage Treatment Reserve Acct - 3939	Signature-Real Estate Proceeds Account - 3826	Signature- Student Collections Account - 6057	Signature-Class I Settlement Reserve - 5697	Signature-Class II - 2006 Bonds Reserve - 5093	Signature-Class III - 2002 Bonds Reserve - 5700
Balance Per Bank	\$ -	\$ -	\$ -	13,504,742	16,780	200,511	4,982,429	
Deposits in Transit								
Outstanding Checks and Charges								
Other (List)								
Balance per Books	\$ -	\$ -	\$ -	\$ 13,504,742	\$ 16,780	\$ 200,511	\$ 4,982,429	\$ -

See Notes on MOR-1

**In re: Dowling College
Bank Reconciliations**

	Signature - Class IV 2015 Bonds Reserve - 5107	US Bank -1467 (4)	Total
Balance Per Bank	200,521	\$ 457,448	\$ 19,500,091
Deposits in Transit		\$ -	
Outstanding Checks and Charges	-	\$ (55,780)	
Other (List)		\$ -	
<u>Balance per Books</u>	<u>\$ 200,521</u>	<u>\$ 457,448</u>	<u>\$ 19,444,311</u>

See Notes on MOR-1

In re: Dowling College

MOR-1b
Case No. 16-75545 (REG)
Reporting Period: 10/1/18 to 10/31/18

SCHEDULE OF PROFESSIONAL FEES AND EXPENSES PAID

This schedule is to include all retained professional payments from case inception to current month.

Payee	Period Covered	Amount Covered	Amount Paid		Cumulative Filing to Date	
			Fees	Expenses	Fees	Expenses
Klestadt, Winters, Jureller, Southard & Stevens	11/29/16 to 12/31/16	80%			\$ 114,131	\$ 2,822
Klestadt, Winters, Jureller, Southard & Stevens	August 2018	80%	68,425	166	\$ 1,528,254	\$ 22,226
Silverman Acampora, LLP	August 2018	80%	31,700		\$ 573,136	\$ 1,784
FPM Group	April 2018	80%			\$ 56,456	\$ 20,529
Eichen & Dimegglio PC	10/1/17 to 1/31/18	80%			\$ 58,677	\$ 1,286
Smith & Downey	March 2018	80%			\$ 11,709	\$ -
Farrell Fritz	May 2018	80%			\$ 15,344	\$ 586
Ingerman Smith LLP (I)	Feb - May 2018	80%			\$ 21,822	\$ 1,453
Baker Tilly Virchow Krause LLP - Tax Services	1/1/18 to 5/29/18	80%			\$ 20,000	\$ -
Baker Tilly Virchow Krause LLP - Consulting Svces	9/27/17 to 5/31/18	80%			\$ 6,587	\$ 1,131
Total (Excluding Duplicates)			\$ 100,125	\$ 166	\$ 2,406,117	\$ 51,818

(1) Includes utilization of prepetition fee advance in the amount of \$15,000.

In re: Dowling College

MOR 2

Case No. **16-75545 (REG)**
Reporting Period: **10/1/18 to 10/31/18**

STATEMENT OF OPERATIONS
 (Income Statement)
UNAUDITED

	October 2018	CUMULATIVE FILING TO DATE (1)	
Income			
Rental Income	\$ -	\$ 693,191	
Charges on Student billing & Other Income	- -	\$ (52,157)	
Total Income	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expenses:			
Gross Payroll	11,156	\$ 670,738	
Bank Charges	86	\$ 3,337	
Brookhaven Dorm Maintenance	- -	\$ 63,756	
Employee Benefits	- -	\$ (18,064)	
Environmental - Phase I	- -	\$ 2,500	
Fire & Safety Maintenance	- -	\$ 149,509	
Licenses & Permits	- -	\$ 1,263	
Payroll Tax Expense	848	\$ 53,623	
Real Estate Taxes	(517)	\$ 913,935	
Repair & Maintenance	- -	\$ 263,028	
Security	- -	\$ 923,640	
Sewage Treatment	- -	\$ 40,206	
Telephone & Cable	1,206	\$ 123,314	
Union Dues	- -	\$ 4,675	
Offfce Expenses	13	\$ 6,116	
Computer Supplies & expense	8,150	\$ 133,191	
Equipment lease	- -	\$ 20,358	
Electric/Gas	4,439	\$ 931,677	
Fuel Oil	- -	\$ 29,711	
Water	163	\$ 17,303	
Insurance Expense	2,354	\$ 471,945	
Waste Removal	590	\$ 26,487	
Snow Removal	- -	\$ 66,505	
Grounds Maintenance	- -	\$ 101,460	
Exterminating	- -	\$ 2,558	
Chemical Waste Removal	- -	\$ 39,001	
Payroll Processing	743	\$ 15,642	
Moving, Storage & disposal	551	\$ 70,291	
Taxes & Licenses	- -	\$ 2,344	
Misc. Expense	- -	\$ 409	
Outside services	- -	\$ 274,772	
Bad Debt Expense	- -	\$ 2,559,853	
Accounting-Pension Plan	- -	\$ 80,221	
Tax Preparation Fees	- -	\$ 25,000	
Temporary Help	2,938	\$ 32,964	
Total Expense	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net Ordinary Income	(32,721)	\$ 8,103,268	(7,462,234)

In re: Dowling College

MOR 2

Case No. **16-75545 (REG)**
Reporting Period: **10/1/18 to 10/31/18**

STATEMENT OF OPERATIONS
 (Income Statement)
UNAUDITED

	October 2018	CUMULATIVE FILING TO DATE (1)	
<u>Other Income:</u>			
Gain on Sale of Resid. Houses	-	\$ 2,813,551	
Gain on Sale of Oakdale Campus	-	\$ 8,819,315	
Gain/(loss) on Sale of Brookhaven Campus	(400,000)	\$ (16,873,723)	
Gain on Sale of Vacant Land	28,800	\$ 53,800	
Gain on Sale of Other Assets	-	\$ 984,850	
Interest & Dividends Earned net of custodian fees	10,967	\$ 53,239	
Interest - Perkins Loan	141,000	\$ 141,000	
Change in Unrealized Gain/Loss	-	\$ 119,676	
Loss on assignment of Perkins Loans	(179,663)	\$ (179,663)	
Miscellaneous Income	420	\$ 108,600	
Total Other Income	<u>(398,476)</u>	<u>\$ (3,959,355)</u>	
<u>Other Expense</u>			
Professional Fees - Chapter 11	125,744	\$ 3,375,672	
Interest Expense-DIP Financing & other	-	\$ 128,571	
Claims Noticing Agent	21,220	\$ 262,381	
Bankruptcy Advertising Costs	-	\$ 32,465	
US Trustee Fees	23,480	\$ 127,275	
Site Planner Consulting expense	-	\$ 90,931	
Financing Fees	-	\$ 131,000	
Litigation Expense-Mediator	-	\$ 11,771	
Bond Agent Administration expense	9,000	\$ 65,615	
Interim Management-CRO	83,465	\$ 2,028,608	
Total Other Expense	<u>262,910</u>	<u>\$ 6,254,289</u>	
Net Other Income	<u>(661,386)</u>	<u>\$ (10,213,644)</u>	
Net Income	<u>\$ (694,107)</u>	<u>\$ (17,675,878)</u>	

See Notes to MOR.

(1) Amended to reflect year end adjustments and reclassifications relating to Debtor's property, plant and equipment.

MOR 3

In re: Dowling College

Case No. **16-75545 (REG)**
 Reporting Period: **10/1/18 to 10/31/18**

BALANCE SHEET
UNAUDITED

	As of	
	Current Month	Filing Date (1)
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 19,444,445	\$ 1,045,272
Rent Receivable-net of allowance	-	54,677
Escrow deposits related to real estate sales	-	-
Accounts Receivable-Other-net of allowance	-	165,907
Pledges Receivable - net of allowance	-	1,798,341
Prepaid Expense and other current assets	6,750	135,663
Prepaid Retainers	33,520	256,942
Student Receivables-net of allowance	64,639	848,807
Total Current Assets	<u>19,549,354</u>	<u>4,305,610</u>
<u>Property, Plant & Equipment</u>		
Oakdale Campus	-	42,175,600
Oakdale Residential Properties	-	9,696,277
Brookhaven Campus	-	54,492,951
Total	<u>-</u>	<u>106,364,828</u>
Accumulated Depreciation	-	(51,138,757)
Net Property, Plant & Equipment	<u>-</u>	<u>55,226,070</u>
<u>Other Assets</u>		
Closing Costs - Bonds	2,279,438	2,279,438
Perkins Loans Receivable	-	1,962,610
Investments	1,651,701	1,621,865
Deposits	-	36,500
Total Other Assets	<u>3,931,138</u>	<u>5,900,413</u>
Total Assets	<u>\$ 23,480,492</u>	<u>\$ 65,432,094</u>
<u>LIABILITIES & EQUITY</u>		
<u>Liabilities - Not Subject To Compromise</u>		
Accounts Payable	\$ 66,055	-
Accrued Expenses-other	4,021	-
Accrued Professional Fees	1,167,677	-
Other current liabilities	31,061	-
DIP-Term Loan A	443,171	-
DIP-Term Loan B	419,223	-
DIP-Term Loan C	91,651	-
DIP - Term Loan D-Admin	2,530,827	-
Total DIP Financing- Post petition loans	<u>3,484,872</u>	<u>-</u>
Total Liabilities-Not Subject to Comp	<u>4,753,686</u>	<u>-</u>

MOR 3**In re: Dowling College**

Case No. **16-75545 (REG)**
Reporting Period: **10/1/18 to 10/31/18**

BALANCE SHEET
UNAUDITED

	As of	
	Current Month	Filing Date (1)
<u>Liabilities-Subject to Compromise</u>		
Accounts Payable	3,997,338	3,977,990
Accrued Expenses	5,083,140	5,083,140
Other payables	91,000	91,000
Deferred Rental Income	-	80,491
Tenant Security Deposit Payable	-	62,308
Perkins A/P	3,792	1,774,874
Total Bonds Payable-Subject to Compromise	25,583,330	52,673,869
Loans Payable - Dept of Education	1,179,668	1,179,668
Total Liabilities subject to compromise	<u>35,938,267</u>	<u>64,923,340</u>
Total Liabilities	40,691,954	64,923,340
Fund Balance	(17,211,462)	508,753
Total Liabilities and Equity	<u>\$ 23,480,492</u>	<u>\$ 65,432,094</u>

See Notes to MOR.

(1) Amended to reflect reclassifications and adjustments relating to the prepetition period.

In re: Dowling College

MOR-4
Case No. 16-75545 (REG)
Reporting Period: 10/1/18 to 10/31/18

STATUS OF POSTPETITION TAXES

Federal	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Date Paid	Check No.	Ending Tax Liability
Withholding	No payroll tax liability. Gross payroll amount is remitted to the Payroll Service Company for the payment to the appropriate taxing authority.					
FICA-Employee						
FICA-Employer						
Unemployment						
Income					\$	-
Other						-
Total Federal Taxes	\$ -	\$ -	\$ -		\$	-
State and Local						
Withholding	See Note Above					
Sales & Use					\$	-
State Income Tax						-
Excise						-
Unemployment						-
Real & Personal Property						-
Other						-
Total State and Local	-	-	-		\$	-
Total Taxes	\$ -	\$ -	\$ -		\$	-

SUMMARY OF UNPAID POSTPETITION DEBTS (1)

Attach aged listing of accounts payable.

Number of Days Past Due	Current	0-30	31-60	61-90	Over 90	Total
Accounts Payable	\$ 66,055					\$ 66,055
Wages Payable						-
Taxes Payable						-
Rent/Leases - Building						-
Rent/Leases - Equipment						-
Secured Debt/Adequate Protection Payments	3,484,872					3,484,872
Professional Fees (2)	1,167,677					1,167,677
Amounts due to Insiders*						-
Other - Accruals and deposits payable	35,082					35,082
Total Postpetition Debts	\$ 4,753,686	\$ -	\$ -	\$ -	\$ -	\$ 4,753,686

(1) Excludes liabilities recorded for deferred income or other accounting recognition adjustments.

(2) Subject to court order payment procedures.

* "Insider" is defined in 11 U.S.C. Section 101(31).

In re: Dowling College

MOR-5Case No. 16-75545 (REG)
Reporting Period: 10/1/18 to 10/31/18**ACCOUNTS RECEIVABLE RECONCILIATION AND AGING**

Accounts Receivable Reconciliation		
Net Accounts Receivable at the beginning of the reporting period		\$ 89,841
+ Amounts billed during the period		
- Amounts collected during the period		25,202
- Allowances, Reserves & Write-Offs		\$ -
Net Accounts Receivable at the end of the reporting period		\$ 64,639
Accounts Receivable Aging (Gross)		
0 - 30 days old		
31 -60 days old		
61 - 90 days old		
91+ days old		\$ 64,639
Adjustments & Write-Offs		
Total Accounts Receivable (Gross)		
- Unapplied Cash		
- Bad Debt Reserve		\$ -
- Sales Return Reserve		
- Sequester Reserve		
- Contractual Allowances		
+ Other AR Activity		
Accounts Receivable (Net)		\$ 64,639

Note: The Accounts Receivable includes many small balances due from former students dating back to when the College was operating. The Debtor continues to evaluate these receivables and determine the net realizability of such accounts.

Must be completed each month	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below <i>(I)</i>	X	
2. Have any funds been disbursed from any account other than a debtor in possession account this reporting period? If yes, provide an explanation below. <i>(I)</i>	X	
3. Have all post petition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in effect? If no, provide an explanation below.	X	
5. Has any bank account been opened during the reporting period? If yes, provide documentation identifying the opened account(s).		X

(I) During the reporting period, the Debtor sold 1 unimproved lot in Oakdale, New York for net proceeds of approximately \$31,000. Pursuant to Court Order, The net proceeds received on this sale during this period were paid directly to the secured lender which held liens on this property.